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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1991

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 0-17741

Epolin, Inc. (N.J)
(Exact name of Registrant as specified in its charter)

| New Jersey | 22-2547226 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 358-364 Adams Street, Newark, New Jersey | 07105 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (201) 465-9495

19 McBride Avenue, Paterson, New Jersey
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of the close of business on November 30, 1991 there were 10,304,000 of the Registrant's no par value shares of outstanding Common Stock.

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FORM 10-Q

PART I. FINANCIAL INFORMATION

Company or Group or Companies for which report is filed:

Epolin, Inc. and its wholly owned subsidiary Accurt Labs, Inc.

EPOLIN, INC. AND SUBSIDIARY

NOVEMBER 30, 1991

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I. WEISMANN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Roxbury Corporate Center
100 Sheri Court
Mt. Arlington, NJ 07856
(201) 770-1900

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
**EPOLIN, INC. AND SUBSIDIARY**

We have reviewed the consolidated balance sheets of Epolin, Inc. and Subsidiary as of November 30, 1991 and 1990 and the related consolidated statements of operations, stockholders' equity and cash flows for the nine months ended November 30, 1991 and 1990 in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial statements consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

As shown in the financial statements, the Company incurred a net loss of $374,571 for the nine months ended November 30, 1991 and has incurred substantial net losses for each of the past five years. At November 30, 1991 current liabilities exceed current assets by $144,809. These factors and others discussed in Note 2, indicated that the Company may be unable to continue in existence. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary in the event the company cannot continue in existence.

We have not audited the balance sheet of Epolin, Inc. and Subsidiary as of February 28, 1991. We expressed a qualified opinion in our report dated April 25, 1991. We have not performed any auditing procedures since that date.

**CERTIFIED PUBLIC ACCOUNTANTS**

Mt. Arlington, New Jersey
January 10, 1992

## EPOLIN, INC. AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS

### ASSETS

| | November 30, 1991 | 1990 | February 28, 1991 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 62,164 | $ 284,937 | $ 297,248 |
| Accounts receivable | 52,212 | 90,583 | 97,473 |
| Inventory (Note 3) | 7,215 | 28,974 | 25,170 |
| Prepaid expenses | 15,822 | 11,126 | 18,578 |
| Total current assets | 137,413 | 415,620 | 438,469 |
| Property, plant and equipment - at cost (Note 3): | | | |
| Machinery and equipment | 165,074 | 162,691 | 164,447 |
| Furniture and fixtures | 21,070 | 21,070 | 21,070 |
| Leasehold improvements | 415,526 | 415,526 | 415,526 |
| Total | 601,670 | 599,287 | 601,043 |
| Less: Accumulated depreciation and amortization | 154,212 | 86,142 | 102,127 |
| Net depreciated cost | 447,458 | 513,145 | 498,916 |
| Deferred patent expense | 17,732 | 10,690 | 11,241 |
| Patents, net of accumulated amortization of $1,540, $986 and $1,125 at November 30, 1991, 1990 and February 28, 1991 (Note 3) | 7,867 | 8,421 | 8,282 |
| Security deposits | 12,635 | 12,635 | 12,635 |
| Total other assets | 38,234 | 31,746 | 32,158 |
| Total | $ 623,105 | $ 960,511 | $ 969,543 |

See accountants' report and accompanying notes to consolidated financial statements.

EPOLIN, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | November 30, 1991 | November 30, 1990 | February 28, 1991 |
|---|---|---|---|
| Current liabilities | | | |
| Accounts payable | $ 42,347 | $ 47,716 | $ 50,799 |
| Accrued expenses | 162,450 | 106,500 | 125,750 |
| Accrued salaries (Note 9) | 71,250 | 52,083 | 70,833 |
| Taxes payable | | | |
| Payroll | 401 | 719 | 921 |
| Income | 24 | 550 | 36 |
| Loans payable: | | | |
| Officers | 3,250 | 3,250 | 3,250 |
| Others (Note 4) | 2,500 | 2,500 | 2,500 |
| Total current liabilites | 282,222 | 213,318 | 254,089 |
| Commitments and contingency (Note 7) | | | |
| Stockholders' equity (Notes 5 and 7): | | | |
| Preferred stock $2.50 par value; authorized 940,000 shares; none issued | | | |
| Series A convertible noncumulative preferred stock $15.513 par value; redemption price, and liquidation preference; 60,000 shares authorized; 5,478 shares issued and redeemed (Note 5) | | | |
| Common stock, no par value, authorized 20,000,000 shares; 10,304,000 issued and outstanding | 2,162,984 | 2,162,984 | 2,162,984 |
| Additional paid-in capital | 6,486 | 6,486 | 6,486 |
| Accumulated deficit | (1,828,587) | (1,422,277) | (1,454,016) |
| Total stockholders' equity | 340,883 | 747,193 | 715,454 |
| Total | $ 623,105 | $ 960,511 | $ 969,543 |

See accountants' report and accompanying notes to consolidated financial statements.

EPSILON, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended November 30 | | Nine Months Ended November 30 | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| Revenues: | | | | |
| Sales | $ 75,186 | $ 142,843 | $ 259,080 | $ 616,679 |
| Research and development grants and contracts (Note 7) | 6,513 | - | 37,822 | 84,993 |
| Total | 80,619 | 142,843 | 296,902 | 701,372 |
| Costs and expenses (Note 10): | | | | |
| Cost of revenues | 100,731 | 116,881 | 360,665 | 396,580 |
| Royalty expense | 12,500 | 12,500 | 37,500 | 37,500 |
| Selling, general and administrative expense (Note 7) | 98,879 | 123,780 | 272,929 | 619,761 |
| Total | 212,110 | 253,161 | 679,094 | 851,667 |
| Loss from operations | (131,491) | (110,318) | (382,192) | (150,295) |
| Other income - principally interest | 1,608 | 6,874 | 7,699 | 19,997 |
| Loss before taxes | (129,883) | (103,444) | (374,494) | (330,000) |
| State income tax | - | (347) | (123) | 278 |
| Net loss | $ (129,883) | $ (103,097) | $ (374,571) | $ (331,178) |
| Weighted average number of shares of common stock outstanding | 10,304,099 | 10,304,099 | 10,304,099 | 10,304,099 |
| Per share data - net loss per common share | (.01) | (.01) | (.04) | (.03) |

See accountants' report and accompanying notes to consolidated financial statements.

I. WEISMANN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

EPOLIN, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | Additional Paid-In-Capital | Accumulated Deficit | Stockholders' Equity |
|---|---|---|---|---|
| Balance - March 1, 1990 | $2,162,906 | $ 6,486 | $(1,091,101) | $1,078,369 |
| Loss - nine months ended November 30, 1990 | - | - | (331,176) | (331,176) |
| Balance - November 30, 1990 | $2,162,906 | $ 6,486 | $(1,422,277) | $ 747,193 |
| Balance - March 1, 1991 | $2,162,906 | $ 6,486 | $(1,454,016) | $ 715,454 |
| Loss - nine months ended November 30, 1991 | - | - | (376,571) | (376,571) |
| Balance - November 30, 1991 | $2,162,906 | $ 6,486 | $(1,830,587) | $ 340,883 |

See accountants' report and accompanying notes to consolidated financial statements.

I. WEISMANN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

## EPOLIN, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended November 30, | |
|---|---|---|
| | 1991 | 1990 |
| Cash flows from operating activities: | | |
| Net loss | $ (374,571) | $ (331,176) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 52,501 | 47,891 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 45,261 | (13,899) |
| Inventory | 17,955 | 11,702 |
| Prepaid expenses | 2,756 | 2,324 |
| Accounts payable | (8,452) | 11,840 |
| Accrued expenses | 36,700 | 26,000 |
| Accrued salaries | 417 | 52,083 |
| Payroll taxes payable | (520) | (3,041) |
| Income taxes payable | (12) | 500 |
| Net cash used by operating activities | (227,965) | (200,776) |
| Cash flows from investing activities: | | |
| Deposits | - | 2,948 |
| Patents | - | (4,651) |
| Deferred patent expense | (6,491) | 3,331 |
| Payments for equipment and leasehold improvements | (628) | (26,686) |
| Net cash used by investing activities | (7,119) | (25,058) |
| Decrease in cash | (235,084) | (225,834) |
| Cash and cash equivalents: | | |
| Beginning | 297,248 | 510,771 |
| Ending | $ 62,164 | $ 284,937 |
| Supplemental schedule of cash flow information: | | |
| State income taxes paid | $ 50 | $ 50 |

See accountants' report and accompanying notes to consolidated financial statements.

## EPOLIN, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOVEMBER 30, 1991

Note 1 - Organization and Basis of Presentation:

Epolin, Inc. (Company) was incorporated on May 8, 1984 pursuant to the laws of the State of New Jersey to develop, manufacture and market a class of monomer and polymer formulations with applications in the composition and manufacture of a new type of highly protective and durable materials. The Company's activities during its development stage from May 8, 1984 (inception) through February 28, 1990 had been substantially devoted to developing its principal operations.

The Company's wholly-owned subsidiary Accort Labs, Inc. is engaged in the manufacture of specialty chemical products that serve as intermediates and additives used in the adhesive, plastic, aerospace, pharmaceutical, flavors and fragrance industries.

Note 2 - Going Concern:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, the Company has sustained substantial operating losses during the current period and in recent years and has used substantial amounts of working capital for its operations. At November 30, 1991, current liabilities exceed current assets by $144,809.

Based upon the foregoing, realization of assets and satisfaction of liabilities is dependent upon the Company securing additional capital, generating additional revenues and reducing operating expenses.

Note 3 - Summary of Significant Accounting Policies:

(A) Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its subsidiary. Intercompany transactions and balances have been eliminated in consolidation. The consolidation is accounted for as a "pooling of interest" under generally accepted accounting principles. Condensed consolidating financial statements for the three month period ended November 30, 1991 are as follows:

Note 3 - Summary of Significant Accounting Policies (Continued):

| | Epolin | Accort | Consolidated |
|---|---|---|---|
| Loss from operations | (236,147) | (138,045) | (382,192) |
| Interest income | 7,498 | - | 7,498 |
| Loss before taxes | (236,649) | (138,045) | (374,694) |
| Income taxes | 12 | (135) | (123) |
| Net loss | $ (236,661) | (137,910) | (374,571) |

Note: No eliminations were applicable to the consolidation.

(B) Inventory - Consists of raw materials, work in process and finished goods valued at the lower of cost or market under the first-in, first-out method.

(C) Property and Equipment - Stated at cost less accumulated depreciation. Provisions for depreciation are computed on the straight-line and declining balance methods, based upon the estimated useful lives of the assets.

Leasehold Improvements - Depreciation over the lesser of the term of the related lease or the estimated useful lives of the assets.

(D) Patents - Costs are being amortized by use of the straight-line method over a period of seventeen years.

(E) Income Taxes - Investment tax credits are accounted for a reduction of income taxes in the year the tax benefit is realized (the tax "flow through" method) for assets acquired prior to January 1, 1986.

Note 4 - Loans Payable Others:

Includes $2,500 payable to a shareholder.

Note 3 - Summary of Significant Accounting Policies (Continued):

CONDENSED CONSOLIDATING BALANCE SHEET

| | Epolin | Accort | Eliminations | Consolidated |
|---|---|---|---|---|
| Current assets | $ 289,873 | 58,145 | (210,605) | 137,413 |
| Non-current assets | 483,127 | 36,701 | (34,136) | 485,692 |
| Total | $ 773,000 | 94,846 | (244,841) | 623,105 |
| Current liabilities | $ 270,811 | 222,016 | (210,605) | 282,222 |
| Stockholders' equity: | | | | |
| Common stock | 2,162,984 | 100 | (100) | 2,162,984 |
| Additional paid-in capital | 6,486 | 6,486 | (6,486) | 6,486 |
| Accumulated deficit | (1,667,281) | (133,756) | (27,550) | (1,828,587) |
| Total equity | 502,189 | (127,170) | (34,136) | 340,883 |
| Total | $ 773,000 | 94,846 | (244,741) | 623,105 |

CONSOLIDATING STATEMENT OF OPERATIONS

| | Epolin | Accort | Eliminations | Consolidated |
|---|---|---|---|---|
| Revenues | $ 7,628 | 289,274 | - | 296,902 |
| Other revenue | 173,266 | - | (173,266) | - |
| Total | 180,894 | 289,274 | (173,266) | 296,902 |
| Cost and expenses: | | | | |
| Cost of revenues | 53,702 | 314,963 | - | 368,665 |
| Royalty expense | 37,500 | - | - | 37,500 |
| Selling, general and administrative | 333,839 | 112,356 | (173,266) | 272,929 |
| Total | 425,041 | 427,319 | (173,266) | 679,094 |

Note 5 - Stockholders' Equity:

In connection with a patent licensing agreement (Note 7), the Company granted options to purchase 4,030 shares of the Company's common stock at $4.6538 per share after giving effect to the subsequent stock splits. The option expired in November 1990 (Note 7) and had not been exercised.

Note 6 - Acquisition:

On April 5, 1989, the Company acquired Accort Labs, Inc. in a business combination accounted for as a pooling of interests. Accort Labs, Inc. became a wholly-owned subsidiary of the Company through the exchange of 896,424 shares of the Company's stock for all of its outstanding stock.

Note 7 - Commitments and Contingency:

Licensing Agreement:

In November 1985, the Company entered into a licensing agreement with one of its stockholders to gain all rights to a patent developed by him expiring in June 2000 and is renewable annually through the expiration date of the patent. Included in its terms is a Company commitment for payment of fixed and percentage royalties, and it grants the stockholder an opinion expiring November 1990 to purchase 4,030 shares of common stock after giving effect to the various stock splits in February 1987, October 1988 and February 1989.

Fixed royalty payments of $50,000, less the amount of any percentage royalty payments made during such license year are due each license year ending November 28.

Beginning in May 1990, the Company postponed payments towards accrued fixed royalties in order to conserve cash. Fixed royalty payable is as follows:

Note 7 - Commitments and Contingency (Continued):

Licensing Agreement (continued):

| License Years November 28, | Amount Payable |
|---|---|
| 1989 | $ 46,000 |
| 1990 | 50,000 |
| 1991 | 50,000 |
| | $ 146,000 |

Percentage royalties are based on gross sales by the Company and/or its sublicenses, if any, for each license year:

8% of the first $100,000 of gross sales of the invention.
6% of the next $900,000 of gross sales of the invention.
3% of the next $1,000,000 of gross sales of the invention.
2% of all gross sales of the invention exceeding $2,000,000.

Upon payment of an aggregate of $1,000,000 in percentage and fixed royalties, the percentage royalty will be reduced to 2% of gross sales.

In further consideration of the granting of the license, the Company issued 27,076 shares of common stock to this stockholder after giving effect to all stock splits.

Officers' Salaries:

The Company has employment agreements with five officer/stockholders', four of which commenced upon the successful public offering of the Company's stock, and one on June 30, 1989.

The agreements provide for an aggregate annual compensation of $300,000 to four officer/stockholders for a five-year period and $18,000 to one officer/stockholder for a three-year period.

Effective June 1, 1990, one agreement was modified to base salary plus commission.

The agreements call for the forfeiture of certain common stock previously issued to the officer/stockholders upon the termination of their services prior to the contract dates.

Note 7 - Commitments and Contingency (Continued):

Lease and Related Party Rentals:

In June 1989, the Company relocated to new facilities in Newark, New Jersey under a long-term operating lease agreement expiring in May 1994 with options to renew through May 2004. The minimum annual rental is $74,042 with cost of living adjustments starting after the second year. The Company is responsible for additional costs including real estate taxes.

The minimum annual rentals for the next five years if options to renew are exercised:

| Years Ended February 28, | Amount |
|---|---|
| 1992 | $ 18,511 |
| 1993 | 74,042 |
| 1994 | 74,042 |
| 1995 | 74,042 |
| 1996 | 55,531 |

Rental expense charged to operations amounted to $71,050 and $64,308 for the nine months ended November 30, 1991 and 1990, respectively.

Outstanding Warrants and Underwriters' Unit Purchase Option:

On April 5, 1989, a public offering of Company securities was completed. In connection therewith, 2,502,000 warrants were issued with the total units sold. Each warrant entitles the holder to purchase one share of common stock through April 1992 at $1.

The Company issued 41,700 underwriters' unit purchase option in connection with the public offering. If exercised, the units will convert to 500,400 shares of common stock and 250,200 warrants. The options are exercisable for a four-year period commencing twelve months from the date of the offering at $7.20 per unit. Subsequently, the warrants can be exercisable for a four-year period commencing twelve months from the date of the offering at $1.00 per warrant.

Note 7 - Commitments and Contingency (Continued):

The underwriters' unit purchase options are not exercisable, transferable or assignable for a period of one year from the date of the offering, except to the officers of the underwriter and dealers participating in the offering and/or their partners or officers. The underwriters' unit purchase options will contain antidilution provisions for appropriate adjustment of the number of shares subject to the options under certain circumstances. The holders of the underwriters' unit purchase options have no voting, dividend or other rights as shareholders of the Company with respect to shares underlying the underwriters' options until the underwriters' options have been exercised. The Company is obligated to pay the underwriters a warrant solicitation fee in the amount of 10% of the aggregate exercisable price of redeemable warrants exercisable commencing twelve months from the effective date of the offering.

Upon the written request of a majority of the holders of the shares of the Company's common stock and common stock purchase warrants underlying the underwriters' unit purchase option, the Company will register on two separate occasions under the Securities Act of 1933, during the four-year period commencing one year from the date of this Prospectus, the securities issuable upon exercise of the underwriters' unit purchase option and the underwriters' units. The Company will bear the cost of the registration, which could be substantial, and the cost of the second registration will be borne by the holders. The Company has also granted certain "piggy-back" registration rights to holders of the underwriters unit purchase option and underwriters' units.

Long-Term Contract:

On January 14, 1987, the Company entered into a $496,000 long-term research contract with the United States Department of the Air Force which commenced on January 15, 1987 and was scheduled to be completed by June 15, 1989. As of February 28, 1991, the Company recognized research and development billings in the aggregate of $496,000 under this contract, including $24,641 for nine months ended November 30, 1990.

Note 7 - Commitments and Contingency (Continued):

The Company entered into a compensation agreement with a sales agent which terminated April 1990. Pursuant thereto, the sales agent received all noncancellable, nonqualified five year option to purchase 2,000 shares of Epolin's common stock at an exercisable price per share of 50% of the average closing bid and asked price as reported on the NASDAQ system on the day preceding his election to exercise.

During the nine months ended November 30, 1990, the Company paid $8,270 for per diem fees. Management has stated that none of the options were exercised.

Note 8 - Unused Net Operating Loss Carryforwards:

At February 28, 1991, the Company had available unused net operating loss carryforwards of $1,122,000 which may be applied against future federal taxable income expiring in various years through 2004.

Note 9 - Accrued Salaries:

Four officers and one employee of the company have elected to defer a portion of their salaries in order to preserve cash.

Deferred salaries at November 30, 1991 total $71,250 of which $30,417 relates to the current nine month period.

Note 10 - Research and Development:

Included in cost and expenses are expenditures of $164,488 and $225,100 for the nine month periods ended November 30, 1991 and 1990, respectively.

Note 11 - Approximately 73% of current year sales were made to five major customers of which 25% were to one of the four.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operation

In April 1989 the Registrant completed an initial public offering of securities generating net proceeds of approximately $1,950,000. Commencing upon completion of its offering through January 1990 the Company primarily engaged in the renovation of its manufacturing facilities. In February 1990 the Company began to actively market and sell its chemical products. During the three and nine months ended November 30, 1991 the Company generated total revenues in the approximate amount of $80,600 and $297,000 respectively representing a decrease of approximately 44% and 41% respectively over the corresponding periods of the prior year. Management believes that these decreases were primarily attributable to the effect of reduced sales resulting from the general economic downturn.

During the three and nine months ended November 30, 1991 the Company's cost of revenues as a percentage of sales increased by approximately 43% and 47% respectively as compared to the corresponding periods of the prior year primarily as a result of reduced sales, increased cost of raw materials needed for specialty chemical production, increased research and development efforts and higher overhead costs associated with the Company's facility and equipment. During the three and nine months ended November 30, 1991 selling, general and administrative expenses decreased by approximately 20% and 35% respectively as compared to the corresponding periods of the prior year which decreases primarily resulted from lower payroll expenses related to curtailment of the Company's expanding monomer related activities and reduction of specialty chemical production as well as the increased allocation of officer's salaries to specialty chemical research and development products.

During the three and nine months ended November 30, 1991 the Company reported a net loss of approximately $130,000 ($.01 per share) and $374,571 ($.04 per share) respectively, as compared to a net loss of approximately $110,000 ($.01 per share) and $350,295 ($.03 per share) respectively during the corresponding periods of the prior year. The increases in net loss primarily reflect the effect of reduced sales of the Company's chemical products.

Liquidity and Capital Resources

As of November 30, 1991 the Company had a negative working capital position of approximately $145,000 as compared to a positive working capital position of approximately $184,000 for the year ended February 28, 1991. The decrease reflects the continued

utilization of cash to fund the Company's loss from operations. To date cash flow generated from operations has been inadequate to meet the Company's operating expenses. In order to preserve the Company's remaining cash position, the Company has suspended further research and development of the Company's Expanding Monomer formulations until such time that orders for such products are received from the entities which are currently evaluating such products. In addition the Company has reduced its specialty chemical operations as a result of a lack of orders. In this regard the Company has significantly reduced its labor force and as of March 1992 the Company will employ only three employees on a full time. For the year ended February 28, 1991 the Company's officers agreed to defer a portion of their respective salaries in order to preserve cash flow. During the year ended February 28,1991 accrued officers salaries aggregated $ 70,833.

As of February 1, 1992 the Company had approximately $65,000 in cash and cash equivalents. The Company estimates that available cash coupled with projected revenues from sale of the Company's products may be sufficient to fund the Company's operations for the next three months only. Moreover, should revenues fail to meet projections, the Company's ability to continue its operations will be adversely effected. In the event the Company's operations do not improve or additional capital is not obtained, the Company will be forced to further curtail and/or halt the future conduct of its business.

The Company is investigating potential merger candidates for the purposes of selling a controlling interest in the Company. However there can be no assurance that the Company will be successful in this regard.

The Company does not anticipate making any significant additional capital expenditures in the immediate future as it believes that its present machinery and equipment will be sufficient to meet its near term needs.

ITEM 5. OTHER INFORMATION

In January 1991 Team Logos Corporation ("Team Logos") terminated future discussions regarding the proposed reorganization transaction between Team Logos and the Registrant. In December 1991, the Registrant announced the execution of a letter of intent with Team Logos pursuant to which Team Logos's shareholders were to become the owners of 90% of Epolin's issued and outstanding Common Stock. Team Logos cited its inability to furnish audited financial statements needed to proceed with the transactions as its primary reason for terminating the arrangement.

The Registrant is currently engaged in discussions with S.D.S. Corp., a Florida based company engaged in the special package delivery industry and Guaranteed Tuneup Corp., a New Jersey based company engaged in the franchising of automotive service centers with respect to the possible merger of one of such companies into the Registrant. The Registrant has also discussed merger possibilities with other companies in order to meet NASDAQ maintenance requirements and further benefit the Registrant's shareholders. The foregoing discussions have been preliminary ones and no assurance can be given that they will result in a consumated transaction or allow the Registrant's securities to remain listed on the NASDAQ system.

## PART II. OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8K

(a) Exhibits

(b) Reports on Form 8K

During the quarter ended November 30, 1991 the Company did not file any reports on Form 8K. In March 1992 The Registrant filed a Current Report on Form 8K reporting in Item 5 thereof the extension of the expiration date of its Common Stock Purchase Warrants.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 13, 1992

EPOLIN, INC.

MORTON LEFAR, Principal
Financial Accounting Officer and
Member of the Board

EPOLIN/REPTS/10Q11-91\RW